THE DOWNTOWN SEATTLE ACCESS PROJECT PARKING CASH OUT EXPERIENCE: RESULTS AND RECOMMENDATIONS

DRAFT REPORT

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This report first reviews the experience of the Downtown Seattle Access Project (DSAP) with implementation of parking cash out and related incentives (referred to as FlexPark) in downtown Seattle. It then presents several conclusions, and describes lessons learned.

1.0 BACKGROUND/EXPERIENCE

The Federal Highway Administration (FHWA) supports innovative roads and parking pricing projects focused on understanding the effectiveness of different market-based approaches for reducing congestion and automobile emissions. In 2001 King County Metro received a grant from the FHWA in part to develop and test a project intended to increase the opportunity cost and decrease the convenience of commuter parking. One strategy included in this program was parking cash-out.

Cash-out is a value pricing strategy whereby employees with employer-provided parking receive the option of giving up their parking in exchange for a monthly cash amount. Employers negotiate with parking/building managers to pay for fewer monthly parking spaces, using part of their savings to provide incentives to employees. Parking/building managers then let the relinquished spaces at higher hourly parking market rates. In theory, everyone wins. Employees receive more in their monthly paychecks, employers pay less for subsidized parking, and parking operators receive more from hourly parkers than from previous monthlies.

The overall goal of the project was to assess cash-out and other facilitating incentives as means to shift commuter parkers to HOV modes. The cash-out strategy supported several other objectives of the downtown Seattle value pricing program, including shifting stalls from long-term monthly leases to either short-term, daily or HOV parking.

2.0 IMPLEMENTING CASH-OUT

The cash out program, referred to as FlexPark, was designed as a voluntary incentive-based program to engage employers in actively trying to reduce the number of employees receiving an employer-paid parking benefit.

2.1 Program Definition

The DSAP team engaged in several research efforts prior to designing the downtown cash-out model.

2.1.1 Conjoint Study

A conjoint study is a survey instrument designed to allow comparison between numerous different package components, in order to arrive at the "ideal" package to achieve a particular end. In this case, the end was defined as "convincing an individual to give up their parking space". The list of package elements to be compared included changes in parking costs, free or discounted bus passes, free or discounted carpool parking, free or discounted vanpool fares, free or discounted flexible parking days, free emergency taxi ride home, cash bonus, use of a car for personal or work needs, and shower-only gym memberships. The results of the conjoint study indicated the monthly package most likely to sway an individual into giving up a free parking space consisted of a free bus pass, five flexible parking days (free or discounted), and a cash bonus of $125.

2.1.2 Discussion Groups

The concept of parking cash out was also presented to three different discussion groups: 1) building managers, 2) employers, and 3) employee transportation coordinators. Building managers expressed reservations about participating in a program that was designed to reduce the number of monthly parking leases in their building. The concept was seen as potentially advantageous in a market where demand outstripped supply, and the spaces could be sublet or sold on a daily basis. Most building managers agreed they would not renegotiate tenant leases to change their allowable number of monthly parking spaces, but would allow tenants to reduce their monthly allotment on a month to month basis.

Employers were highly skeptical of the parking cash-out concept. Common objections were that only very senior individuals or those that really need a car for work currently received a parking benefit. Discussion regarding the first group, senior individuals or partners, was that there would be no reasonable package that an employer could afford to offer that would result in a choice to give up the parking space. Parking was described as something you earned, a perk on par with the corner office, a status symbol. Options such as Flexcar for the second group, sales staff or others that really need their car for work, were dismissed as unworkable. A final group identified as receiving parking benefits were shift workers, for which other commute options were not viable.

2.1.3 The FlexPark Product

Based on the research findings, the DSAP team determined that a key element of implementing cash-out was to provide an incentive to engage employers in trying this approach. In addition, we thought that we could help employers customize program offerings, and thereby make those offerings more acceptable both to employer and employee.

Incentives for employers to choose from in creating FlexPark packages included: monthly cash added to an employee's paycheck; a free or subsidized bus pass; some monthly free parking days (number determined by employer); emergency taxi ride home; car sharing enrollment and usage credits; gym membership subsidies and other elements that employers defined.

King County offered employers both a financial incentive and technical support in administering the FlexPark program, as detailed below.

- Initial financial incentive - - $125 a month per employee receiving free parking prior to program implementation
- Second financial incentive – calculated after 9 months, additional $125 per employee relinquishing free parking space
- Employee survey - to determine most attractive package elements
- Employee brochure - customized, describing employer-defined FlexPark program
- Employee Trip Planning Assistance
- Information Packets - including travel options, cost of driving information

2.2 Market Estimation

The team conducted focus group and quantitative research to help:

- define the downtown market (*Downtown Seattle Drive-Alone Commuter Market*), and
- segment the drive-alone market to identify likely market segments for FlexPark (*Downtown Seattle Rider/Nonrider Survey Respondent*

Segments: Exploring Potential For New Transit Markets in Downtown Seattle).

Initial market sizing efforts estimated that there were between approximately 36,000 to 52,000 people parking in downtown Seattle that received a parking subsidy (Kodoma, 2001, King County, 2000). Applying a conservative estimate that 2% of these parkers would be convinced to relinquish their parking space, the cash-out target of approximately 720 to 1,040 individuals was identified.

2.3 Marketing Strategy

Staff decided to market FlexPark using existing avenues for employer outreach, rather than launching a separate marketing campaign targeted to FlexPark employers or targeting employees directly. We thought this approach would be an efficient use both of funding and staff resources. We approached employers about FlexPark in two main ways.

First, we worked with existing King County Employer Transportation Representatives (ETRs). The ETR's job is to work one-on-one with employers affected by the state Commute Trip Reduction (CTR) law to reduce drive-alone commuting. This law generally applies to all employers having 100 or more employees commuting to work during the am peak period. In the DSAP project area, 94 employers were affected by the CTR law in 2001, and four King County ETRs work with them to reduce drive-alone commuting. The ETRs received training in the FlexPark product offering, along with brochures, presentation packets and implementation materials. The ETRs presented the FlexPark option to a total of 11 CTR-affected employers. Three eventually elected to implement FlexPark.

Second, we worked with Downtown Seattle Association (DSA) staff already marketing Metro products. The DSA is a broker for an employer bus pass product called FlexPass. The DSA markets FlexPasses exclusively to employers not affected by the CTR law, and focuses on employers with between 25 and 99 employees. The DSA screened every potential client for eligibility and interest in FlexPark. In the nine-month period between January and September 2002, the DSA made a total of 744 sales calls. Only eight FlexPark referrals (1%) resulted from all of these sales calls. Three employers agreed to a presentation, and none elected to participate in the program.

In addition, FlexPark staff presented the program at two different employer network meetings in downtown Seattle (representing 27 employers), and distributed over 700 FlexPark brochures at transportation fairs held at major high-rise buildings throughout downtown.

2.4 FlexPark Results

Despite all efforts, the anticipated market did not develop. Through October 2002, three businesses and 18 employees were participating in FlexPark (see Table 1).

Table 1: FlexPark Program Participants

	Milliman USA	***Safeco***	***HellerEhrman***
Number of Parkers	40	85	42
Number of Participants	3	13	1
Number of Continuing Participants	3	10	N/A
Reduction in SOV trips (weekly/annualized)	20/960	94/4,512	N/A
New Transit trips (weekly/annualized)	20/960	78/3,744	N/A
Other HOV trips		16/768	N/A

Note: Annualized numbers based on 48 work weeks per year.

Of these three worksite FlexPark programs, two have been operating for a full year. The results for these two programs are presented in Table 1. The third company, Heller Ehrman, began the FlexPark program in August 2002 and is still in the enrollment process.

2.5 Assessment of FlexPark

The team assessed the program internally and from the employer's perspective (*A Qualitative Assessment of the FlexPark Product and Sales Strategy: Employment Transportation Coordinator Interviews*) to try to understand employer and employee barriers. We considered refocusing on employers who had some specific characteristics the assessment suggested might facilitate interest (Attachment 1). We also hired a marketing consultant to help better identify the market. The consultant's recommendation was that the market was too small to warrant spending additional time and money to target it (Attachment 2).

2.6 Conclusion

We have concluded that the employer market for cash-out in downtown Seattle, even with added incentives, is too small and fragmented to be cost efficiently targeted. The remainder of this report describes why the project team has come to this conclusion and then suggests new approaches focusing on individual commuters.

2.6.1 Limitations of the Cash-Out Market in Downtown Seattle

Downtown Seattle seemed an ideal candidate for a cash-out pilot study at the start of the project. It possesses all the key elements thought to promote cash-out success:

- Transit service is excellent to downtown from many parts of King County
- Parking leases are unbundled from floor space leases
- Parking supply is limited
- Parking prices are high
- King County Metro offers a wide array of transit pass and other products to help employers move employees to high occupancy vehicle (HOV) options
- The CTR law is in place to encourage large employers to take advantage of this assistance.

Ironically, we found that the cash-out strategy, which is designed to rationalize the decision to offer free parking and so change it, was superfluous in downtown Seattle. Downtown employers, acting in their own best self interests to save money and work within the real constraints of inadequate parking supply, had already done the job. The result is that parking subsidies have been eliminated for most employees who either do not need their cars for work or are not at the upper levels of company management. Even smaller employers who pay for parking do so only for those employees they feel have to have it (e.g. for work reasons or prestige reasons) and may already provide some support for public transportation options—like bus passes. Thus, employees who still receive a parking benefit are the most resistant and least able to use public transportation.

Our surveys of downtown Seattle drive-alone commuters showed that 35 percent of those with free or reduced-fee parking have incomes above $100,000 annually. Forty-four percent of this group rate "needing a car to do one's work" as a significant barrier to using public transportation (6 or 7 on a 7 point scale). Thirty-nine percent similarly rate the barrier "often having to work late."

2.6.2 Other Limitations of the Cash-Out Pilot

Employers and Parking Managers Were Disinterested in Key Elements of Cash-Out

The Conjoint Study conducted in 2001 to help define the most appealing packages to downtown drive-alone commuters found that respondents valued the incentive of having five days of parking each month, even if it cost them $7 a day. Building managers were resistant to giving up monthly leases and to giving tenants discounts off the daily rate to facilitate promotion of flexible parking days. This made the cost of offering employees a free-park day benefit potentially very expensive to employers.

Recession Added to Market Issues

Downtown Seattle has been severely affected by the economic downturn that began here in the second quarter of 2000. Over the 2000 – 2001 period the dot.com jobs loss alone, including secondary effects, was about 4.5% of area jobs. Many of those jobs were located in downtown Seattle.

King County employment decreased 1.4% in 2001, and recent employment data suggest 2002 will see another 3% of jobs shed. This is the worst two-year showing for employment in Metro Transit records of area economic growth dating back to 1973.

Employers may be unwilling to try new ideas in this climate. Anecdotally, many employers contacted to participate in FlexPark seemed to be focusing strictly on business, in contrast to prevailing ideas that hard times open minds to cost reducing strategies.

With office vacancies on the rise and parking prices appearing to decrease, building/parking management want to do what they can to keep tenants and maintain revenues. They are hesitant to engage in incentives to decrease the number of monthly parking leases.

Linking FlexPark to Commute Trip Reduction (CTR)-Related Sales
In planning for FlexPark, the project team thought that adding the product to Metro's CTR product portfolio would result in cost and time efficiencies, since Metro's CTR sales staff had already presented or were presenting transportation demand management measures to these employers. In retrospect, this strategy had several drawbacks.

During the employer interviews, several Employee Transportation Coordinators (ETCs) at CTR-affected employment sites expressed irritation with being asked to do something more. These ETCs felt they were doing everything reasonable to move people to public transportation, and they were not interested in discussing how they could do more.

In addition, FlexPark sometimes was lost among discussion of other options. Employers interviewed as part of the project assessment commented on this frequently. For example, one ETC said, "There seemed to be a lot being gone over, a lot of different concepts to deal with." Another commented on having FlexPark included with other CTR-related information saying it was "hard to process."

Finally, several CTR-affected employers technically are located in downtown Seattle, but outside the core area where Metro Transit service is frequent and conveniently located, and in places where parking is abundant and cheap. There was no interest in FlexPark in these areas.

Contracting with the Downtown Seattle Association (DSA) for FlexPark Referrals
DSA staff sells Metro FlexPasses to smaller (non-CTR) employers in downtown Seattle. DSAP also contracted with the DSA to include FlexPark in their discussions with employers, and refer employers who might be interested to Metro sales staff. Again this appeared to be a way to approach the many small employers in downtown Seattle cost efficiently.

The DSA used two screening questions to identify potential FlexPark candidates: 1) Do you pay for 10 or more employee parking spaces, and 2) would you be interested in saving money on employee parking by offering your employees an alternative to their current parking benefit?

As previously described, this approach resulted in only eight referrals. This suggests the product may not be of interest to small employers or a sales strategy requiring a secondary referral to someone at Metro was a barrier, or both.

Having an Employer's ETC as the Contact Point for Selling FlexPark

The ETC was a convenient entrée into CTR-affected employment sites, since Metro had established relationships with these workers. Using ETCs, however, has several drawbacks. First, the ETC typically is not at a high enough level to make decisions about complicated benefit options. This meant that the ETC not only had to understand the FlexPark product, but also had to take time from his or her regular assignments to strategize about how to communicate about FlexPark to higher levels and then follow through. This commitment of time and effort may be part of the reason most ETCs decided not to become involved.

Second, it was completely up to the ETC to decide if others in the organization might be interested in FlexPark and therefore to pursue or not pursue communications to higher levels. This represents a potential barrier at a relatively low level in an organization that could prevent employees in an organization from even hearing about the program.

Third, because ETCs and not Metro sales staff were responsible for talking to appropriate decision makers, Metro did not know whether or how correctly and completely the ETCs actually communicated the concept.

In addition, smaller companies (not affected by CTR law) often do not have an ETC. Gaining access to decision makers to discuss FlexPark was difficult.

FlexPark as a Tailored and Individualized Product

FlexPark is positioned as a tailored and highly individualized product that employers customize to meet employee needs. Sales materials reinforce that "you design a FlexPark package…" "…(you) build a unique…program or your company." "…(you) choose elements that are right for your employees."

In retrospect, the high level of flexibility may not be optimal. Because of the flexibility, the product is perceived as complicated and may affect ETCs' understanding and/or may compromise their abilities to communicate with management. It also requires higher level management to become involved in what it may see as rather unimportant business details.

During assessment interviews, one ETC said "It was a little too flexible, there were too many options."

Another ETC said "I really didn't understand it. I couldn't understand what they're offering. It's confusing."

This may suggest a better plan would be to offer – as one ETC put it – "something more like you get with photography – package a or package b …. Something where the choice is understandable, something more simple."

3.0 LESSONS LEARNED AND CASH-OUT RECOMMENDATIONS

3.1 Cash-Out Potential

Although employer-oriented cash-out does not appear to be a functional strategy in downtown Seattle, it may be suited to "new" market areas where economic or regulatory forces have not yet induced employers to reassess parking expenses. Some potential for cash-out success likely exists in areas where:

- Employers provide free parking to employees at all levels
- There is little or no on-street free parking available as an alternative
- There is good transit service oriented to commute hours
- Recent regulatory mandates require action to reduce employee drive-alone commuting
- Air quality is deteriorating noticeably
- Congestion during commute hours is viewed by the public as a problem

Research is needed to further develop potential characteristics of likely cash-out markets and to assess and identify potential candidates nationally.

3.2 Improvements to the Process/Product

Although cash-out has not worked well in downtown Seattle, the project learned a great deal that may help others initiating cash-out in other areas where it may have more potential to succeed. The following recommendations flow from those lessons.

- Try to target employers more specifically in order to eliminate companies with predominantly outside sales employees, high-income workers, brokers, and others who need cars, have irregular or unpredictable work hours, or have shown active disinterest via surveys or other public opinion research.
- Simplify the product offering. Offer a limited number of packages, address implementation concerns, and provide assistance in communications with decision makers.
- Identify ways to effectively target benefits decision. Eliminate the need to give lower-level employees responsibility they may not want for communicating about cash-out up the line.
- Sell cash-out independently from existing portfolios of CTR or other TDM products.

The team will also interview employers to determine their reactions to the program and assess the potential for VPP to affect employer's parking policies and benefits. Interview will explore the following questions:

- Are some (or all) parking costs passed on to individual employees?
  - If the employee pays all or part of the cost how is the payment collected?
  - Would changes in current policies or billing systems be required if parking costs changed from month to month?
- Did the new pricing system lead to a change in parking benefit administration?
  - If not, did was it considered?
  - Would a change be more likely if price changes were permanent?
- Is the employer CTR affected?
- Are transportation benefits provided to non-SOV commuters?

3.3 **Next Steps**

The DSAP team is now considering a variety of alternative approaches to cash out and parking pricing, incorporating the experiences and lessons learned discussed in this report.